

MINIMUM REVENUE PROVISION STATEMENT 2021/22

1.0 Introduction

- 1.1 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2003, Councils, are expected to make a prudent provision. The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- 1.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement, and recommends a number of options for calculating a prudent amount of MRP.
- 1.4 The Council has a number of MRP policies reflecting the range of capital financing options required for different service scenarios.

2.0 MRP Policy - General

- 2.1 The following statement incorporates options recommended in the Guidance;
- 2.2 The actual Policy is:
- i. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets as the principal repayment on an annuity with an annual interest rate based on long-term borrowing rates, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
 - ii. For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
 - iii. In respect of:

- capital assets; MRP will be chargeable in the year following the agreement of any final account.
- other capital investments; MRP will be chargeable in the following financial year.

3.0 MRP Policy - Loans to Organisations

3.1 The aim of the policy is to facilitate the provision of finance (for asset creation purposes) to organisations, with the Council sourcing the finance from third parties, but to ensure that the incidence of debt finance is directly neutralized within the Councils balance sheet.

3.2 The actual policy is:

Where loans are made to other bodies for their capital expenditure, and the principal repayments are received at least on an annual basis, no MRP will be charged, because the loan repayments will be applied to the CAA, so reducing the CFR in the same manner as MRP.

If principal repayments are not being made then MRP will be charged.

4.0 MRP Policy – Financing Expenditure with Annuity Loans

4.1 This Policy was originally approved on 22nd February 2016 and has been amended for 2018/19. The aim of this policy is to determine the neutralization of MRP when Annuity Loans are used to finance CIS asset, and investments.

4.2 The actual policy is:

For each capital investment undertaken under the requirements of the Council's Commercial Investment Strategy, where it has been decided that an Annuity Loan is advantageous, MRP will be made that is equal to the principal repayment for any loan finance supporting the investment.